

Rapides Finance Authority

Annual Financial Report

For the Year Ended July 31, 2014

Table of Contents

	<u>Page No.</u>
Independent Auditors' Report	1 - 2
Management's Discussion and Analysis	3 - 5
Balance Sheet.....	6
Statement of Revenue, Expenses and Changes in Net Position	7
Statement of Cash Flows	8
Notes to Financial Statements	9 – 17
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards	18 – 19
Summary of Findings and Questioned Cost.....	20
Management's Corrective Action Plan.....	21
Schedule of Prior Findings and Questioned Cost.....	22
Schedule of Per Diem Paid to Board Members.....	23

ROZIER, HARRINGTON & MCKAY

CERTIFIED PUBLIC ACCOUNTANTS

1407 PETERMAN DRIVE • ALEXANDRIA, LOUISIANA 71301

JOHN S. ROZIER, IV, CPA
MARK S. MCKAY, CPA
LEE W. WILLIS, CPA
RHONDA L. RACHAL, CPA
STEVEN E. KIMBALL, CPA
RICHARD BESSON, CPA

MAILING ADDRESS
POST OFFICE BOX 12178
ALEXANDRIA, LOUISIANA 71315-2178
TELEPHONE (318) 442-1608

M. DALE HARRINGTON, CPA
RETIRED - 2005

January 8, 2015

Independent Auditors' Report

To the Rapides Finance Authority
Alexandria, Louisiana

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the business-type activities of the Rapides Finance Authority, a component unit of the Rapides Parish Police Jury, as of and for the year ended July 31, 2014, and the related notes to the financial statements, which collectively comprise the Finance Authority's basic financial statements as listed in the table of contents.

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

-Members-

American Institute of Certified Public Accountants ♦ Society of Louisiana, CPAs

Rapides Finance Authority

January 8, 2015

Page 2

OPINIONS

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Rapides Finance Authority, as of July 31, 2014, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

OTHER MATTERS

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis described in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Supplemental Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Rapides Finance Authority's basic financial statements. The schedule of per diem paid to Board Members is presented for purposes of additional analysis and are not a required part of the basic financial statements.

The schedule of per diem paid to Board Members is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of per diem paid to Board Members is fairly stated in all material respects in relation to the basic financial statements as a whole.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARD

In accordance with *Government Auditing Standards*, we have also issued our report dated January 8, 2015, on our consideration of the Rapides Finance Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Finance Authority's internal control over financial reporting and compliance.



ROZIER, HARRINGTON & MCKAY
Certified Public Accountants

Rapides Finance Authority

Management's Discussion And Analysis

July 31, 2014

This section of the Rapides Finance Authority's annual financial report presents our discussion and analysis of the Authority's financial performance during the year ended July 31, 2014. This section should be read in conjunction with the financial statements that appear in the following section:

OVERVIEW OF FINANCIAL STATEMENTS

The basic financial statements report information about the Authority as a whole using accounting methods similar to those used by private-sector companies. These report all revenues and expenses regardless of when cash is received or paid. Furthermore, the basic financial statements include all of the Authority's assets and all of the Authority's liabilities (including long-term debt). Expenses incurred in connection with the operation of the Authority's loan programs are reported as business-type activities.

FINANCIAL ANALYSIS OF THE AUTHORITY

This portion of the management's discussion and analysis provides a comparative financial analysis.

Balance Sheet

A condensed version of the Authority's Balance Sheet is presented as follows:

	<u>July 31, 2014</u>	<u>July 31, 2013</u>
<u>Assets:</u>		
Current and Other Assets	\$ 10,875,428	\$ 11,648,366
Capital Assets	----	----
Total Assets	10,875,428	11,648,366
<u>Liabilities:</u>		
Current and Other Liabilities	5,234,605	5,946,603
Long-term Liabilities	----	----
Total Liabilities	5,234,605	5,946,603
<u>Net Position:</u>		
Restricted	617,064	707,703
Unrestricted	5,023,759	4,994,060
Total Net Position	\$ 5,640,823	\$ 5,701,763

At July 31, 2014, the Authority's assets exceed liabilities by \$5,640,823. The authority does not own any property or equipment. Accordingly it has reported no capital assets. A portion of the Authority's net position (10.9%) is restricted for debt service. The remaining unrestricted net position (89.1%) may be used to meet the Authority's ongoing obligations and conduct program activities.

Rapides Finance Authority

Management's Discussion And Analysis ***July 31, 2014***

Revenues, Expenses and Changes in Net Position

A condensed version of the statement of revenues, expenses and changes in net position is presented as follows:

	For the Year Ended	
	July 31, 2014	July 31, 2013
<u>Revenues</u>		
Operating (Program) Revenues	\$ 290,109	\$ 432,945
Interest on deposits and investments	81,951	65,636
Total Revenue	372,060	498,581
<u>Expenses</u>		
Operating (Program) Expenses	342,463	573,948
Total Expenses	342,463	573,948
Change in Net Position Before Increase (Decrease) in Fair Value	29,597	(75,367)
Change in Fair Value of Investment Securities	(90,537)	(457,610)
Change in Net Position	\$ (60,940)	\$ (532,977)

The net loss resulted from fluctuation in the market value of the Authority's mortgage backed security portfolio.

CAPITAL ASSET ADMINISTRATION

The Authority's activities are limited to providing financing for worthwhile activities in Rapides Parish, including conducting programs for first time homebuyers. The Authority has not acquired any capital assets in connection with these activities.

DEBT ADMINISTRATION

For the year ended July 31, 2014, no new debt has been issued. In addition, substantial payments were made on the Authority's existing debt as required by various bond indentures. Changes in the Authority's outstanding debt are presented as follows:

Rapides Finance Authority

Management's Discussion And Analysis ***July 31, 2014***

	Beginning Balance	New Borrowing	Debt Reduction	Ending Balance
Series 2005 Bonds	\$ 4,283,040	\$ ----	\$ (391,715)	\$ 3,891,325
Series 2003 Bonds	1,606,258	----	(314,285)	1,291,973
Total	\$ 5,889,298	\$ ----	\$ (706,000)	\$ 5,183,298

FACTORS EXPECTED TO EFFECT FUTURE OPERATIONS

Due to adverse conditions existing in the financial markets, issuing additional bonds is not considered feasible at the present time. As a result no bond proceeds are currently available to originate loans to first time home buyers.

RAPIDES FINANCE AUTHORITY

Statement of Net Position

July 31, 2014

	<u>Business-type Activities</u> <u>Enterprise Fund</u>
<u>ASSETS:</u>	
Current Assets:	
Cash and cash equivalents	\$ 343,576
Investments	4,367,568
Assets restricted by bond indenture:	
Cash and cash equivalents	702,974
Investments	<u>5,148,695</u>
Total Current Assets	<u>10,562,813</u>
 Non Current Assets:	
Loans	60,588
Other assets	<u>252,027</u>
 Total assets	 <u><u>\$ 10,875,428</u></u>
 <u>LIABILITIES AND NET POSITION</u>	
Other Current Liabilities	\$ -
Current Liabilities Payable from Restricted Assets:	
Accrued interest expense	51,307
Bonds payable, net of deferred financing cost of \$72,466	<u>5,183,298</u>
 Total current liabilities	 <u>5,234,605</u>
 <u>Net Position</u>	
Restricted for debt service	617,064
Unrestricted	<u>5,023,759</u>
 Total net position	 <u>5,640,823</u>
 Total liabilities and net position	 <u><u>\$ 10,875,428</u></u>

The accompanying notes are an integral part of the financial statements.

RAPIDES FINANCE AUTHORITY

Statement of Revenue, Expenses and Changes in Net Position

For the Year Ended July 31, 2014

	Business-type Activities
	<u>Enterprise Fund</u>
<u>Operating revenues:</u>	
Interest on loans	\$ 6,411
Interest from mortgage backed securities - single family home mortgage programs	280,886
Other operating revenue	2,812
Total operating revenues	<u>290,109</u>
<u>Operating expenses:</u>	
Interest and related costs on bonds issued in connection with first time home buyer programs	276,853
Bond trustee fees	3,926
Legal and professional	23,030
Other	38,654
Total operating expenses	<u>342,463</u>
Operating income (loss)	<u>(52,354)</u>
<u>Nonoperating revenues (expenses):</u>	
Interest on deposits and investments	81,951
Net increase (decrease) in fair value of investment securities	(90,537)
Total nonoperating revenue expenses	<u>(8,586)</u>
Net Income (loss)	(60,940)
Net position - beginning of year	<u>5,701,763</u>
Net position - end of year	<u><u>\$ 5,640,823</u></u>

The accompanying notes are an integral part of the financial statements

RAPIDES FINANCE AUTHORITY

Statement of Cash Flows

For the Year Ended July 31, 2014

	<u>Business-type Activities</u> <u>Enterprise Fund</u>
<u>Cash flow from operating activities:</u>	
Receipts from borrowers / customers	\$ 129,656
Operation of first time home buyer programs:	
Receipts from paydown of mortgage backed securities	1,192,025
Receipts from interest on mortgage backed securities	279,996
Payments of interest on program debt	(273,083)
Payments to suppliers	(65,610)
Net cash provided (used) by operating activities	<u>1,262,984</u>
<u>Cash flows from noncapital financing activities:</u>	
Payment to redeem revenue bonds	(720,039)
Net cash provided (used) by non-capital financing activities	<u>(720,039)</u>
<u>Cash flows from investing activities:</u>	
Receipts of interest on deposits and investments	81,951
Receipts from Paydowns and Maturities	134,883
Purchase of investment securities	(2,520,528)
Net change in investment contracts	44,701
Net cash provided (used) by investing activities	<u>(2,258,993)</u>
Net increase (decrease) in cash	(1,716,048)
Beginning cash balance	2,762,598
Ending cash balance	1,046,550
Restricted cash balance	702,974
Unrestricted cash balance	<u>\$ 343,576</u>
<u>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</u>	
Operating income (loss)	\$ (52,354)
Adjustments to reconcile operating income to net cash provided by operating activities:	
Mortgage backed securities - first time home buyer programs	
Receipts from paydown of mortgage backed securities	1,192,025
(Increase) Decrease in loans receivable	120,433
(Increase) Decrease in accrued interest receivable	(890)
Increase (Decrease) in accrued interest payable	(5,998)
Amortization	9,768
Net cash provided (used) by operating activities	<u>\$ 1,262,984</u>

Supplemental Disclosure:

For the year ended July 31, 2014, there were no investing, capital, and financing activities that did not result in cash receipts or payments.

The accompanying notes are an integral part of the financial statements.

RAPIDES FINANCE AUTHORITY

Notes To Financial Statements

NOTE 1 – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES:

The Rapides Finance Authority, formerly known as Rapides Parish Housing and Mortgage Finance Authority, was created through a trust indenture dated December 14, 1978. The Authority is organized as a Public Trust as defined by state law. Rapides Parish is the designated beneficiary of the trust. The Authority's primary activity is conducting loan programs for first time home buyers.

Reporting Entity:

The Governmental Accounting Standards Board (GASB) established criteria for determining which component units should be considered part of a financial reporting entity. The basic criterion for including a potential component unit within a reporting entity is financial accountability. The GASB has set forth criteria to be considered in determining financial accountability. These criteria include:

1. Appointing a voting majority of an organization's governing body, and
 - a. The ability of the reporting entity to impose its will on that organization and/or
 - b. The potential for the organization to provide specific financial benefits to or impose specific financial burdens on the reporting entity.
2. Organizations for which the reporting entity does not appoint a voting majority but are fiscally dependent on the reporting entity.
3. Organizations for which the reporting entity financial statements would be misleading if data of the organization is not included because of the nature or significance of the relationship.

Based on the previous criteria, the Authority is a component unit of the Rapides Parish Police Jury. The accompanying component unit financial statements present information only on the funds maintained by the Authority and do not present information on the police jury, the general government service provided by that governmental unit, or other governmental units that comprise the financial reporting entity.

Basis of Presentation:

The Authority uses an enterprise fund for financial reporting purposes. Enterprise funds are proprietary funds used to account for business-like activities. These activities are financed primarily by user charges and the measurement of financial activity focuses on net income measurement similar to the private sector.

Measurement Focus and Basic of Accounting

Measurement focus is a term used to describe which transactions are recorded within the various financial statements. Basis of accounting refers to when transactions are recorded regardless of the measurement focus applied.

RAPIDES FINANCE AUTHORITY

Notes To Financial Statements

The Authority's enterprise fund utilizes an economic resources measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position, financial position, and cash flows. All assets and liabilities associated with their activities are reported. Proprietary fund equity is classified as net position.

In addition, the Authority's enterprise fund utilizes the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recognized when the liability is incurred.

The Authority distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with the Authority's principal ongoing operations. Since the Authority's principal operations involve specialized lending activities, interest earned from loans and mortgage backed securities are reported as operating revenues. In addition, interest incurred in connection with debt issued to finance first time home buyer mortgage loan programs is reported as an operating expense.

Use of Estimates:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents:

Amounts reported as cash and cash equivalents (restricted and unrestricted) include cash in bank accounts and highly liquid investments.

Statement of Cash Flows:

For the purpose of reporting cash flows, cash and cash equivalents includes all cash in bank accounts and highly liquid investments. Since the Authority's principal operations involve specialized lending activities, the following receipts and disbursements are reported as cash flows from operating activities:

- Payments to originate loans.
- Receipt of principal and interest collected from borrowers.
- Payments to acquire mortgage backed securities
- Receipts from paydowns and interest associated with mortgage backed securities.
- Payment of interest incurred in connection with bonds issued to finance loan origination and mortgage backed security acquisition.

Deferred Financing Cost:

The Authority has incurred various financing costs including underwriting fees, trustee fees, various professional fees, and gains or losses on the refunding of certain debts in connection with issuing bonds. In accordance with generally accepted accounting standards, recognition of these costs has been deferred and amortized over the expected life of the applicable bond issue. The annual

RAPIDES FINANCE AUTHORITY

Notes To Financial Statements

amortization reported as a component of the Authority's interest expense. Amortization is computed using methods that are intended to approximate recognition of a constant rate of interest expense.

Restricted Resources:

A substantial portion of the Authority's resources are restricted by the terms of various bond indentures. For expenditures that satisfy restrictions, restricted resources are exhausted before utilizing any unrestricted resources.

Investments:

The Authority is authorized by state law and its trust indenture to acquire certain investment securities including obligations of the United States or its agencies. Investments are reported at fair value based on quotes provided by the Authority's bond trustee.

Certain investment contracts held by the Authority are not negotiable and the value of these contracts is not affected by financial markets. Accordingly, these investment contracts are reported at cost.

NOTE 2 – CASH AND EQUIVALENTS:

Cash on deposits and cash equivalents at July 31, 2014 consisted of the following amounts:

	<u>Cash on Deposit</u>	<u>Cash Equivalents</u>	<u>Total</u>
Deposits held by Rapides Parish Police Jury's fiscal agent in the Police Jury's bank account	\$ 213,150	\$ ----	\$ 213,150
Money Market Mutual Fund	----	130,426	130,426
Highly liquid short-term investments administered by the bond trustees	----	702,974	702,974
Total Cash and Cash Equivalents	213,150	833,400	1,046,550
Restricted Cash and Cash Equivalents	----	702,974	702,974
Unrestricted Cash and Cash Equivalents	<u>\$ 213,150</u>	<u>\$ 130,426</u>	<u>\$ 343,576</u>

Cash on deposit is collateralized by securities pledged to the Rapides Parish Police Jury. The cash equivalents are considered uninsured and unregistered securities held in the Authority's name. These cash equivalents are not rated but are not subject to any significant credit or interest rate risk.

NOTE 3 – INVESTMENT SECURITIES:

Investment securities include amounts that are managed by the Board of Directors as well as investments that are held in trust established in connection with various bond indentures. Investments are summarized as follows:

RAPIDES FINANCE AUTHORITY

Notes To Financial Statements

	<u>Investments</u>	<u>Restricted Investments</u>	<u>Total</u>
U. S. Government Agency Mortgage Backed Securities:			
GNMA	\$ 268,436	\$ 4,468,779	\$ 4,737,215
FNMA	225,286	480,369	705,655
FHLMC	389,042	183,934	572,976
Guaranteed Investment Contracts	----	15,613	15,613
United States Agency Securities	883,788	----	883,788
Certificates of Deposit	1,306,009	----	1,306,009
Taxable Municipal Bonds	1,295,007	----	1,295,007
	<u>\$ 4,367,568</u>	<u>\$ 5,148,695</u>	<u>\$ 9,516,263</u>
Total			

Proceeds from the various bond issues are used to create a market for single family home mortgages attributable to first time home buyers residing within Rapides Parish. This is accomplished by using the proceeds to purchase securities that are backed by pools of qualifying mortgages. Investment securities held in trust accounts established pursuant to various bond indentures indenture are presented as follows:

Series 2005 Bond Indenture	\$ 3,714,619
Series 2003 Bond Indenture	<u>1,434,076</u>
Total Investments	<u>\$ 5,148,695</u>

A description of each investment security portfolio is presented as follows:

Series 2005 Bond Indenture:

Proceeds from the Series 2005 bond issues have been used to acquire various mortgage backed securities. In addition to the acquisition of MBS, the terms of the Series 2005 bond indenture also authorize the trustee to utilize a guaranteed investment contract with AEGON for the temporary investment of bond proceeds.

Investments held in the Series 2005 portfolio are summarized as follows:

RAPIDES FINANCE AUTHORITY

Notes To Financial Statements

MORTGAGE BACKED SECURITIES - guaranteed by GNMA or FMNA. These bonds pay interest monthly at a rate of 5.0% \$ 3,699,007

GUARANTEED INVESTMENT CONTRACT - The trustee is allowed to invest certain funds at a rate of 3.5%. The contract terminates November 1, 2037 15,612

Total investments, Series 2001 trust indenture \$ 3,714,619

Series 2003 Bond Indenture:

Proceeds from the Series 2003 bond issues have been used to acquire various mortgage backed securities. In addition to the acquisition of MBS, the terms of the Series 2003 bond indenture also authorize the trustee to utilize a guaranteed investment contract with XL Asset Funding (XL) for the temporary investment of bond proceeds.

Investments held in the Series 2003 portfolio are summarized as follows:

MORTGAGE BACKED SECURITIES - guaranteed by GNMA or FMNA. These bonds pay interest monthly at the following rates:

Annual rate of 5.000%.....	\$ 141,076
Annual rate of 5.125%.....	247,565
Annual rate of 5.250%.....	151,421
Annual rate of 5.450%.....	150,527
Annual rate of 5.600%.....	310,712
Annual rate of 5.650%.....	<u>432,775</u>

Total investments, Series 2001 trust indenture \$1,434,076

Credit Risk

The Finance Authority and its trustees typically manage credit risk by limiting investments to securities that are guaranteed by the United States government, agencies of the United States government or private guarantors with substantial financial resources. The investments described above are typically not rated by recognized credit rating agencies. Information regarding credit risk is provided as follows:

- The GNMA securities are guaranteed by the full faith and credit of the United States government.
- The remaining United States Agency securities are guaranteed by agencies chartered by the United States government.
- Certificates of deposit are insured by the Federal Deposit Insurance Corporation.
- Taxable municipal securities are rated as investment grade by recognized rating agencies.

RAPIDES FINANCE AUTHORITY

Notes To Financial Statements

- The guaranteed investment contracts are guaranteed by private organizations. The guarantors are rated as investment grade by recognized rating agencies.

Custodial Risk

The mortgage backed securities are uninsured and unregistered securities held on behalf of the Finance Authority by various bank trust departments. The guaranteed investment contracts are not evidenced by securities that exist in physical or book entry form; therefore, these investments are not subject to custodial credit risk.

Interest Rate Risk

Interest rate risk refers to exposure to fair value losses arising from increasing interest rates. Interest rate risks for various types of securities are analyzed as follows:

- Mortgage backed securities mature in monthly installments that are based on the payment history associated with underlying pools of single family home mortgages. Since the payment history is influenced by prepayment of mortgage obligations, it is not practical to provide a maturity schedule associated with the mortgage backed securities. Furthermore, interest rate risk associated with restricted mortgage backed securities held by various bond indentures is offset by the terms of bond issues that finance the acquisition of mortgage backed securities. Since the bond issues provide access to funds needed for investment at fixed rates, any financial impact from unfavorable changes in interest rates is minimized.
- Since funds can be withdrawn from guaranteed investment contracts without limitations, these investments are not exposed to interest rate risk.
- Interest rate risk associated with United States Agency Securities, Certificates of Deposit, and Taxable Municipal Bonds increases in proportion to the length of time to maturity. Maturity schedules associated with these investment securities are presented as follows:

	Fair Value	Investment Maturities (In Years)			
		Less Than 1	1 – 5	6 – 10	More Than 10
United States Agency Securities	883,788	----	31,921	324,752	527,115
Certificates of Deposit	1,306,009	99,891	641,985	468,782	95,351
Taxable Municipal Bonds	1,295,007	----	80,387	931,631	282,989

NOTE 4 – LOANS RECEIVABLE:

The Authority has engaged in a variety of lending activities which are intended to benefit Rapides Parish. At July 31, 2014 loans outstanding consisted entirely of credit extended to local governmental units earning interest at a rate of 4.75%.

NOTE 5 – BONDS PAYABLE:

Bonds payable at July 31, 2014 is summarized as follows:

RAPIDES FINANCE AUTHORITY

Notes To Financial Statements

	Beginning Balance	Additions	Reductions	Ending Balance
Series 2005 Bonds	\$ 4,283,039	\$ ----	\$ 391,714	\$ 3,891,325
Series 2003 Bonds	1,606,259	----	314,286	1,291,973
Total Bonds Payable	<u>\$ 5,889,298</u>	<u>\$ ----</u>	<u>\$ 706,000</u>	<u>\$ 5,183,298</u>

The bonds described above were issued to finance acquisition of the restricted mortgage backed securities described in Note. 3. Under the terms of the bond issues, any principal collected from the mortgage backed securities must be used to partially redeem bonds issued in connection with those securities. Since the mortgage backed securities are considered current assets, the bonds payable have been classified as current liabilities.

Series 2005 Bonds:

Single Family Mortgage Revenue Bonds Series 2005 bonds outstanding at July 31, 2014, are presented as follows:

	Beginning Balance	Additions	Reductions	Ending Balance
<u>Series 2005 Bonds:</u>				
Class A	\$ 4,345,000	\$ ----	\$ 400,000	\$ 3,945,000
Deferred Issue Cost	(61,961)	----	(8,286)	(53,675)
Total	<u>\$ 4,283,039</u>	<u>\$ ----</u>	<u>\$ 391,714</u>	<u>\$ 3,891,325</u>

Revenue bonds have an original par value of \$10,000,000 and an interest rate of 4.65%. Interest is payable on the first day of each month. The bonds are limited and special obligations of the Rapides Finance Authority payable solely from receipts generated by the Authority's Home Mortgage Loan Program (the Program); however, certain exceptions to this payment scenario are provided by redemption provisions that are described as follows:

From Unexpended Proceeds:

The bonds are subject to redemption from any proceeds that are not used to fund the Program or related cost by November 1, 2006. This redemption date may be extended under certain circumstances; however, it may not be extended beyond April 1, 2009.

Optional Redemption:

At the Authority's option, the bonds may be redeemed on or after May 1, 2015 from any available source of funds. An optional redemption may be in whole or in part at 100% of the outstanding principal balance.

RAPIDES FINANCE AUTHORITY

Notes To Financial Statements

Since maturity of the amounts presented above is influenced by the collection of various mortgage loans originated with the proceeds of this issue, maturity is not based on a fixed schedule. Accordingly, presenting a summary of contractual maturities is not considered appropriate.

The bonds are secured by an assignment and pledge of all right, title and interest of the Authority in the Series 2005 trust estate. The trust estate includes the underlying mortgage backed securities and pledged revenues, rights to the origination agreement and servicing agreement, and all moneys and securities held by the trustee.

Series 2003B Bonds:

Proceeds from these Single Family Mortgage Revenue Refunding Bonds, Series 2003B will be used to refund the Series 2003A bonds and establish a fixed rate of interest to finance various components of the single family home mortgage program.

The Series 2003B was be issued in multiple subseries. Collectively the various subseries will have an aggregate par value of \$10,000,000. The interest rate for each subseries is determined by Fanie Mae prior to issuance. The bonds are scheduled to mature April 1, 2037; however, actual maturity will be influenced by redemption provisions. Outstanding subseries are presented as follows:

	Beginning Balance	Additions	Reductions	Ending Balance
<u>Series 2003B Bonds:</u>				
Subseries 1	\$ 257,126	\$ ----	\$ 112,178	\$ 144,948
Subseries 2	235,348	----	8,365	226,983
Subseries 3	199,271	----	68,603	130,668
Subseries 4	341,654	----	74,700	266,954
Subseries 5	133,246	----	4,143	129,103
Subseries 6	182,055	----	41,032	141,023
Subseries 7	160,213	----	6,802	153,411
Subseries 8	121,891	----	3,766	118,125
Deferred Issue Cost	(24,545)	----	(5,303)	(19,242)
Total	<u>\$ 1,606,259</u>	<u>\$ ----</u>	<u>\$ 314,286</u>	<u>\$ 1,291,973</u>

To a large extent, maturity of the amounts presented above is influenced by the origination and collection of various mortgage loans financed with the proceeds of this issue. Since maturity is not based on a fixed schedule, presenting a summary of contractual maturities is not considered appropriate.

Security for the Series 2003B bonds consist of mortgage backed securities acquired pursuant to the Program and revenue produced by these securities will also serve as security for the bonds. The

RAPIDES FINANCE AUTHORITY

Notes To Financial Statements

mortgage backed securities will be guaranteed as to timely payment of principal and interest by the Government National Mortgage Association or the Federal National Mortgage Association.

The Series 2003B bonds are limited and special obligations of the Rapides Finance Authority. These obligations are payable solely from receipts generated by the Authority's Home Mortgage Loan Program (the Program); however, certain exceptions to this restriction are provided by redemption provisions that are described as follows:

Mandatory Redemption:

From Pledged Revenues - Mandatory redemption, in whole or in part, is required on any interest payment date, when the collection of pledged revenue has exceeded amounts required to meet scheduled principle payments.

Optional Redemption:

At the Authority's option, the bonds may be redeemed on or after January 1, 2013 from any available source of funds at 100% of par value. An optional redemption may be in whole or in part.

NOTE 6 – RISK MANAGEMENT:

The Authority is exposed to various risk of loss related to torts, theft, errors and omissions. The Authority insures against these risk described above by purchasing commercial insurance coverage. Legal counsel has advised management that no claims have resulted from these insured risks during any of the past three fiscal years.

ROZIER, HARRINGTON & MCKAY

CERTIFIED PUBLIC ACCOUNTANTS

1407 PETERMAN DRIVE • ALEXANDRIA, LOUISIANA 71301

JOHN S. ROZIER, IV, CPA
MARK S. MCKAY, CPA
LEE W. WILLIS, CPA
RHONDA L. RACHAL, CPA
STEVEN E. KIMBALL, CPA
RICHARD BESSON, CPA

MAILING ADDRESS
POST OFFICE BOX 12178
ALEXANDRIA, LOUISIANA 71315-2178
TELEPHONE (318) 442-1608

M. DALE HARRINGTON, CPA
RETIRED - 2005

January 8, 2015

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Rapides Finance Authority
Alexandria, Louisiana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of the Rapides Finance Authority, as of and for the year ended July 31, 2014, and the related notes to the financial statements, which collectively comprise the Finance Authority's basic financial statements, and have issued our report thereon dated January 8, 2015.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit of the financial statements, we considered the Finance Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Finance Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of Finance Authority's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

-Members-

American Institute of Certified Public Accountants ♦ Society of Louisiana, CPAs

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether the Finance Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

PURPOSE OF THIS REPORT

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in blue ink, reading "Rozier Harrington & McKay", with a stylized flourish at the end.

ROZIER, HARRINGTON & MCKAY
Certified Public Accountants

RAPIDES FINANCE AUTHORITY

Summary of Findings and Questioned Cost

PART I - SUMMARY OF AUDITOR'S RESULTS:

- The Independent Auditors' Report on the financial statements for the Rapides Finance Authority as of July 31, 2014 and for the year then ended expressed an unqualified opinion.
- The results of the audit disclosed no deficiencies in internal control.
- The results of the audit disclosed no instances of noncompliance that are considered to be material to the financial statements of the Rapides Finance Authority.
- The Rapides Finance Authority did not receive any Federal Awards; therefore, no reporting under OMB Circular A-133 was necessary.

PART II - FINDINGS RELATING TO THE FINANCIAL STATEMENTS WHICH ARE REQUIRED TO BE REPORTED IN ACCORDANCE WITH GENERALLY ACCEPTED GOVERNMENTAL AUDITING STANDARDS:

- None

PART III - FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS WHICH SHALL INCLUDE AUDIT FINDINGS AS DEFINED BY OMB CIRCULAR A-133:

- N/A.

RAPIDES FINANCE AUTHORITY

Management's Corrective Action Plan

<u>SECTION I</u> INTERNAL CONTROL AND COMPLIANCE MATERIAL TO THE FINANCIAL STATEMENTS.	
No findings were reported in the schedule of findings and questions cost.	Response – N/A
<u>SECTION II</u> INTERNAL CONTROL AND COMPLIANCE MATERIAL TO FEDERAL AWARDS	
N/A – The Authority did not receive federal financial assistance	Response – N/A
<u>SECTION III</u> MANAGEMENT LETTER	
No findings were reported in the schedule of findings and questions cost.	Response – N/A

RAPIDES FINANCE AUTHORITY

Schedule of Prior Findings and Questioned Cost

<u>SECTION I</u> INTERNAL CONTROL AND COMPLIANCE MATERIAL TO THE FINANCIAL STATEMENTS	
No findings of the nature were reported as a result of the previous audit.	Response – N/A
<u>SECTION II</u> INTERNAL CONTROL AND COMPLIANCE MATERIAL TO FEDERAL AWARDS	
No findings of the nature were reported as a result of the previous audit.	Response – N/A
<u>SECTION III</u> MANAGEMENT LETTER	
No findings of the nature were reported as a result of the previous audit.	Response – N/A

RAPIDES FINANCE AUTHORITY

Schedule of Per Diem Paid to Board Members

For the Year Ended July 31, 2014

Amos Wesley	\$ 2,200
Barry Hines	2,200
Charles Johnson	1,600
David Bates	2,000
David Butler	3,600
Ernest Bowman	2,400
Eugene Jones	2,400
Granvel Metoyer	2,400
Jack Dewitt	2,400
Joe Page	1,600
Rita Lemoine	2,200
Sam Debona	2,400
Tom Nash	<u>2,200</u>
 Total	 <u><u>\$ 29,600</u></u>